

CITY OF CARSON

**INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2016

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditors' Report	5-7
Management's Discussion and Analysis	8-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 14
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 15
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 16
Notes to Financial Statements	17-29
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	31
Notes to Other Information – Budgetary Reporting	32
Schedule of the City's Proportionate Share of the Net Pension Liability	33
Schedule of City Contributions	34
Notes to Other Information – Pension Liability	35
Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1 37
Schedule of Indebtedness	2 38
Bond and Note Maturities	3 39
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4 40
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42-43
Schedule of Findings	44-46

City of Carson

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2016)		
Eric Weuve	Mayor	January 2016
		<i>Resigned June 2015</i>
Troy Graves	Mayor	January 2016
Troy Graves	Council Member	June 2015
Josh Kallsen	Council Member	January 2016
		<i>Appointed Aug 2015</i>
Callie Kallsen	Council Member	January 2016
Donnie Hendricks	Council Member	January 2018
Adam Houser	Council Member	January 2018
Tim Todd	Council Member	January 2016
Brianne Duede	City Clerk	Indefinite
Kristina Hansen	Treasurer	Indefinite
Steve Krohn	Attorney	Indefinite
 (After January 2016)		
Tim Todd	Mayor	January 2018
Troy Graves	Council Member	January 2020
Donnie Hendricks	Council Member	January 2018
Adam Houser	Council Member	January 2018
Bruce Damgaard	Council Member	January 2018
Michael Knudsen	Council Member	January 2020
Brianne Duede	City Clerk	Indefinite
Kristina Hansen	Treasurer	Indefinite
Steve Krohn	Attorney	Indefinite

CITY OF CARSON



Diane McGrain, CPA
Jim Menard, CPA
Kelsey Peterson, CPA

September 15, 2016

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carson, Iowa, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the city's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Continued...

omni business centre
42 n. 2nd street
council bluffs, iowa 51503
712•322•8734 / fax 712•322•4699
www.schroer-cpa.com

City of Carson
Independent Auditors' Report

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carson as of June 30, 2016, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carson's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the two years ended June 30, 2008 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City's Contributions on pages 8 through 12 and 31 through 35 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Continued...

City of Carson
Independent Auditors' Report

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2016 on our consideration of the City of Carson's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Carson's internal control over financial reporting and compliance.

Schroeder & Associates, PC

MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of the City of Carson, we offer readers of the City of Carson's financial statements this narrative overview and analysis of the financial activities of the City of Carson for the fiscal year ending June 30, 2016. This section should be read in conjunction with the financial statements and the accompanying notes that follow.

2016 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased approximately \$28,000 from fiscal 2015 to fiscal 2016. Operating grants decreased approximately \$78,000. Tax increment financing collections decreased approximately \$131,000. Bond proceeds increased approximately \$200,000.
- Disbursements increased approximately \$206,000 from 2015 to 2016. Public safety decreased approximately \$27,000, public works increased approximately \$30,000, culture and recreation increased approximately \$66,000, and capital projects increased approximately \$138,000.
- The City's total cash basis net position increased by \$114,515 from June 30, 2015 to June 30, 2016. Of this amount, the net position of the governmental activities increased \$73,657, and the net position of the business type activities increased by \$40,858.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitation resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and solid waste removal. These activities are financed primarily by user charges.

Fund Financial Statements

The city has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and garbage funds, all considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased \$73,657 to \$944,440. The analysis that follows focuses on the changes in cash basis net position for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service	\$ 41,929	42,228
Operating grants, contributions and restricted interest	155,499	233,383
General receipts:		
Property tax	324,989	284,342
Tax increment financing	82,268	213,810
Local option sales tax	121,824	127,264
Grants and contributions not restricted to specific purposes	578	1,358
Bond proceeds	200,000	-
Miscellaneous	3,500	-
Unrestricted interest on investments	275	204
Total receipts	930,862	902,589
Disbursements:		
Public safety	87,946	115,088
Public works	125,766	95,916
Culture and recreation	164,418	98,777
Community and economic development	21,340	29,065
General government	76,841	81,293
Debt service	242,945	230,474
Capital projects	137,949	-
Total disbursements	857,205	650,613
Change in cash basis net position	73,657	251,976
Cash basis net position beginning of year	870,783	618,807
Cash basis net position end of year	\$ 944,440	870,783

The total receipts for governmental activities increased \$28,273. The total cost of all programs and services increased by \$206,592.

The cost of all governmental activities this year was \$857,205 compared to \$650,613 from the prior year. The significant increase in disbursements was due to the spending of loan proceeds for capital projects.

As shown in the Cash Basis Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was \$659,777, due to costs paid by those directly benefited from the programs (\$41,929) or by other governments, organizations that subsidized certain programs with grants, contributions and restricted interest (\$155,499).

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 146,286	138,992
Sewer	173,297	179,192
Garbage	75,621	71,914
Miscellaneous	5,269	5,074
Total receipts	400,473	395,172
Disbursements:		
Water	144,217	218,430
Sewer	152,583	143,144
Garbage	62,815	63,345
Total disbursements	359,615	424,919
Change in cash basis net position	40,858	(29,747)
Cash basis net position beginning of year	(2,937)	26,810
Cash basis net position end of year	\$ 37,921	(2,937)

Total business type activities receipts for the fiscal year were \$400,473 compared to \$395,172 last year. The cash balance increased by \$40,858. Total disbursements for the fiscal year decreased \$65,304.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Carson completed the year, its governmental funds reported a combined fund balance of \$944,440, an increase of \$73,657 from last year. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund balance at the end of the year was \$145,745, an increase of \$4,209 from the prior year.
- The Road Use Tax Fund balance at the end of the fiscal year was \$68,829, an increase of \$21,852.
- The Local Option Sales Tax Fund balance remained at zero since receipts are transferred to the General Fund for property tax relief.
- The Urban Renewal Tax Increment Fund balance at the end of the fiscal year was \$659,473, an increase of \$1,006 from the previous year.
- The Debt Service Fund balance was \$12,463, a decrease of \$16,699 from the prior year due to interest payments made on the water treatment plant filter project bond note that was issued in September of the fiscal year.
- The Capital Projects Fund balance was \$39,474, an increase of \$62,501 from the prior year primarily because of bond proceeds.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund balance increased \$5,579 to \$23,350 due to reducing yearly fund expenditures in order to maintain a positive fund balance.
- The Sewer Fund balance increased by \$22,370 to \$21,536 due to reducing yearly fund expenditures in order to maintain a positive fund balances in accordance with SRF fund balance requirements.
- The Garbage Fund balance increased by \$12,909 to (\$6,965) due to due to reducing yearly fund expenditures in order to correct the negative fund balance.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City budget was amended one time for a total increase of \$327,018 for disbursements. City receipts were \$7,850 more than budgeted. After the budget amendment, total disbursements were \$240,254 less than anticipated.

DEBT ADMINISTRATION

At June 30, 2016, the City had approximately \$1,473,000 in bonds and other long-term debt, compared to approximately \$1,576,000 last year as shown below:

Outstanding Debt at Year End (Expressed in Thousands)		
	Year ended June 30, 2016	2015
General obligation notes and bonds	\$ 884	899
Urban renewal tax increment financing bonds	-	20
Revenue bonds	589	657
	<u>\$ 1,473</u>	<u>1576</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$884,000 is below its constitutional debt limit of approximately \$1,800,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Carson's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates, and fees that will be charged for various City activities.

Strategic planning and capital equipment needs are prioritized and planned by City officials and department heads on a year basis. Funding strategies such as grant time frames and the City's debt capacity are all taken into account during the budgetary planning process.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brianne Duede, City Clerk, 316 South Commercial Street, Carson, Iowa.

City of Carson
Basic Financial Statements

City of Carson
Statement of Activities and Net Position
As of and for the year ended June 30, 2016

		Program Receipts		Net (Disbursement) Receipts and Changes in Cash Basis Net Position		
		Charges for	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:	Disbursements	Service				
Governmental activities:						
Public safety	\$ 87,946	22,546	24,275	(41,125)	-	(41,125)
Public works	125,766	-	104,414	(21,352)	-	(21,352)
Culture and recreation	164,418	19,113	22,450	(122,855)	-	(122,855)
Community and economic development	21,340	-	-	(21,340)	-	(21,340)
General government	76,841	270	4,360	(72,211)	-	(72,211)
Debt service	242,945	-	-	(242,945)	-	(242,945)
Capital projects	137,949	-	-	(137,949)	-	(137,949)
Total governmental activities	857,205	41,929	155,499	(659,777)	-	(659,777)
Business type activities:						
Water	144,217	146,286	-	-	2,069	2,069
Sewer	152,583	173,297	-	-	20,714	20,714
Garbage	62,815	75,621	-	-	12,806	12,806
Total business type activities	359,615	395,204	-	-	35,589	35,589
Total	\$ 1,216,820	437,133	155,499	(659,777)	35,589	(624,188)
General Receipts:						
Property tax levied for general purposes				324,989	-	324,989
Tax increment financing				82,268	-	82,268
Local option sales tax				121,824	-	121,824
Grants and contributions not restricted to specific purpose				578	-	578
Bond proceeds				200,000	-	200,000
Miscellaneous				3,500	5,269	8,769
Unrestricted interest on investments				275	-	275
Total general receipts				733,434	5,269	738,703
Change in cash basis net position				73,657	40,858	114,515
Cash basis net position beginning of year				870,783	(2,937)	867,846
Cash basis net position end of year				\$ 944,440	37,921	982,361
Cash Basis Net Position						
Restricted:						
Expendable:						
Streets				\$ 68,829	-	68,829
Urban renewable purposes				659,473	-	659,473
Debt service				12,463	-	12,463
Capital projects				39,474	-	39,474
Other purposes				18,456	-	18,456
Unrestricted				145,745	37,921	183,666
Total cash basis net position				\$ 944,440	37,921	982,361

See notes to financial statements.

City of Carson
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2016

		Special Revenue					Other Nonmajor Governmental Funds	
	General	Road Use Tax	Local Option Sales Tax	Urban Renewal Tax Increment	Debt Service	Capital Projects		Total
Receipts:								
Property tax	\$ 161,503	-	-	-	162,247	-	-	323,750
Tax increment financing	-	-	-	82,268	-	-	-	82,268
Other city tax	662	-	121,824	-	577	-	-	123,063
Licenses and permits	638	-	-	-	-	-	-	638
Use of money and property	10,788	-	-	-	-	-	-	10,788
Intergovernmental	14,853	100,346	-	-	-	-	1,238	116,437
Charges for service	30,781	-	-	-	-	-	-	30,781
Miscellaneous	35,572	4,068	-	3,500	-	-	-	43,140
Total receipts	254,797	104,414	121,824	85,768	162,824	-	1,238	730,865
Disbursements:								
Operating:								
Public safety	87,947	-	-	-	-	-	-	87,947
Public works	43,205	82,562	-	-	-	-	-	125,767
Culture and recreation	164,419	-	-	-	-	-	-	164,419
Community and economic development	-	-	-	21,340	-	-	-	21,340
General government	76,841	-	-	-	-	-	-	76,841
Debt service	-	-	-	-	242,945	-	-	242,945
Capital Projects	-	-	-	-	-	137,949	-	137,949
Total disbursements	372,412	82,562	-	21,340	242,945	137,949	-	857,208
Excess (deficiency) of receipts over (under) disbursements	(117,615)	21,852	121,824	64,428	(80,121)	(137,949)	1,238	(126,343)
Other financing sources (uses):								
Bond proceeds	-	-	-	-	-	200,000	-	200,000
Transfers in	121,824	-	-	-	63,422	-	-	185,246
Transfers out	-	-	(121,824)	(63,422)	-	-	-	(185,246)
	121,824	-	(121,824)	(63,422)	63,422	200,000	-	200,000
Change in cash balances	4,209	21,852	-	1,006	(16,699)	62,051	1,238	73,657
Cash balances beginning of year	141,536	46,977	-	658,467	29,162	(22,577)	17,218	870,783
Cash balances end of year	\$ 145,745	68,829	-	659,473	12,463	39,474	18,456	944,440
Cash Basis Fund Balances								
Restricted for:								
Streets	\$ -	68,829	-	-	-	-	-	68,829
Urban renewal purposes	-	-	-	659,473	-	-	-	659,473
Debt service	-	-	-	-	12,463	-	-	12,463
Capital projects	-	-	-	-	-	39,474	-	39,474
Other purposes	-	-	-	-	-	-	18,456	18,456
Assigned for park project	34,381	-	-	-	-	-	-	34,381
Unassigned	111,364	-	-	-	-	-	-	111,364
Total cash basis fund balances	\$ 145,745	68,829	-	659,473	12,463	39,474	18,456	944,440

See notes to financial statements.

City of Carson
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2016

	Enterprise Funds			
	Water	Sewer	Garbage	Total
Operating receipts:				
Charges for service	\$ 146,286	173,297	75,621	395,204
Operating disbursements:				
Business type activities	<u>127,300</u>	<u>84,593</u>	<u>62,815</u>	<u>274,708</u>
Excess of operating receipts over operating disbursements	18,986	88,704	12,806	120,496
Non-operating receipts (disbursements):				
Miscellaneous	3,510	1,656	103	5,269
Debt service	<u>(16,917)</u>	<u>(67,990)</u>	<u>-</u>	<u>(84,907)</u>
Total non-operating receipts (disbursements)	<u>(13,407)</u>	<u>(66,334)</u>	<u>103</u>	<u>(79,638)</u>
Change in cash balances	5,579	22,370	12,909	40,858
Cash balances beginning of year	<u>17,771</u>	<u>(834)</u>	<u>(19,874)</u>	<u>(2,937)</u>
Cash balances end of year	\$ <u><u>23,350</u></u>	<u><u>21,536</u></u>	<u><u>(6,965)</u></u>	<u><u>37,921</u></u>
Cash Basis Fund Balances				
Unrestricted	\$ <u><u>23,350</u></u>	<u><u>21,536</u></u>	<u><u>(6,595)</u></u>	<u><u>37,921</u></u>

See notes to financial statements.

City of Carson
Notes to Financial Statements
June 30, 2016

NOTE (1) Summary of Significant Accounting Policies

The City of Carson is a political subdivision of the State of Iowa located in Pottawattamie County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Carson has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Pottawattamie County Assessor's Conference Board, Pottawattamie County Landfill Association, Pottawattamie County Emergency Management Commission and the Iowa Waste Systems Association.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Carson
Notes to Financial Statements
June 30, 2016

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances that do not meet the definition of the preceding category. Unrestricted net position often have constraints on resources imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies, and other receipts not allocated by law or contractual agreement to some other fund, are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

City of Carson
Notes to Financial Statements
June 30, 2016

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Special Revenue - Continued:

The Local Option Sales Tax Fund is used to account for the receipts from tax authorized by referendum and used for community betterment projects.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through proprietary funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

The Enterprise, Garbage Fund accounts for the operation of the City's solid waste disposal.

C. Measurement Focus and Basis of Accounting

The City of Carson maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

City of Carson
Notes to Financial Statements
June 30, 2016

NOTE (1) Summary of Significant Accounting Policies - Continued

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2016, disbursements did not exceed the amended budgeted amounts.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2014, to compute the amounts which became liens on property on July 1, 2015. These taxes were due and payable in two installments on September 30, 2015 and March 31, 2016, at the Pottawattamie County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

City of Carson
Notes to Financial Statements
June 30, 2016

NOTE (2) Cash and Pooled Investments - Continued

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$982,361.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 72.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE (3) Bonds and Notes Payable

Annual debt service requirements to maturity of general obligation debt, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 166,500	20,373	70,000	13,020	236,500	33,393
2018	157,000	16,332	56,000	11,145	213,000	27,477
2019	145,000	12,530	57,000	9,965	202,000	22,495
2020	125,000	9,280	59,000	8,768	184,000	18,048
2021	100,000	6,610	60,000	7,523	160,000	14,133
2022-2026	190,000	8,950	283,000	17,678	473,000	26,628
2027	-	-	4,000	120	4,000	120
	<u>\$ 883,500</u>	<u>74,075</u>	<u>589,000</u>	<u>68,219</u>	<u>1,472,500</u>	<u>142,294</u>

Interest costs paid during the year ended June 30, 2016 totaled \$40,876.

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$1,880,000 which was not exceeded during the year ended June 30, 2016.

City of Carson
Notes to Financial Statements
June 30, 2016

NOTE (3) Bonds and Notes Payable - Continued

Urban Renewal Tax increment Financing Revenue Bonds

The City issued \$165,000 in August 2005, for the purpose of defraying a portion of the costs of carrying out urban renewal projects, including street improvements for the Tibbles subdivision. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitations of the City. Total principal and interest remaining on the bonds is \$0. For the current year, total bond and interest payments and total TIF receipts were \$20,840 and \$85,768, respectively.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$100,000 in water revenue notes issued in November 2007. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2017. Annual principal and interest payments on the notes are expected to require less than 100 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$15,713. For the current year, principal and interest paid and total customer net receipts were \$16,417 and \$18,986 respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$750,000 in sewer revenue notes issued in September 2004, \$250,000 in sewer revenue notes issued in October 2006, and \$59,000 in sewer revenue notes issued in June 2007. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2027. Annual principal and interest payments on the notes are expected to require less than 100 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$641,506. For the current year, principal and interest paid and total customer net receipts were \$66,423 and \$88,704, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the enterprise activity.
- b) Sewer revenue charges must be established at a level which produces and maintains net receipts at a level no less than 110% of principal and interest falling due in the same year.

City of Carson
Notes to Financial Statements
June 30, 2016

NOTE (4) Lease Agreement

The City leases a copy machine and a lawn mower under operating lease agreements. Rent expense for the year ended June 30, 2016 was \$10,429. The future required minimum lease payments are as follows:

Year ending June 30,	Amount
2017	\$ 10,429
2018	10,291
Total	<u>\$ 20,720</u>

NOTE (5) Pension Plan Benefits

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

City of Carson
Notes to Financial Statements
June 30, 2016

NOTE (5) Pension Plan Benefits - Continued

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%.

Protection occupation members contributed 6.50% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%

City of Carson
Notes to Financial Statements
June 30, 2016

NOTE (5) Pension Plan Benefits - Continued

The City's contributions to IPERS for the year ended June 30, 2016 were \$13,758.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$100,433 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.0020329%, which was an increase of 0.000010% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$10,139, \$24,375 and \$31,699 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of Inflation (effective June 30, 2014)	3.00% per annum.
Salary increases (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

City of Carson
Notes to Financial Statements
June 30, 2016

NOTE (5) Pension Plan Benefits - Continued

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit Opportunities	5	3.63
U.S. TIPS	5	1.91
Other Real Assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension liability	\$ 197,945	\$ 100,433	\$ 18,155

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

City of Carson
Notes to Financial Statements
June 30, 2016

NOTE (6) Other Postemployment Benefits (OPEB)

Plan description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 2 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Blue Cross/Blue Shield. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$900 for single coverage and \$1,301 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2016, there were no plan members eligible for benefits.

NOTE (7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time termination payments payable to employees at June 30, 2016, primarily relating to the General Fund is \$4,118. This liability is computed on rates of pay effective as of June 30, 2016.

NOTE (8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option Sales Tax	\$ 121,824
Debt Service	Special Revenue: Urban Renewal Tax Increment	<u>63,422</u>
		<u>\$ 185,246</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

City of Carson
Notes to Financial Statements
June 30, 2016

NOTE (9) Risk Management

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE (10) Deficit Fund Balances

At June 30, 2016, the City had the following deficit fund balance:

Proprietary, Garbage Fund	\$ <u>19,874</u>
---------------------------	------------------

The Garbage Fund deficit will be eliminated by prior increases in fees for services.

NOTE (11) Urban Renewal

Carson Urban Renewal Area

On September 13, 1999, the City established the Carson Urban Renewal Area which included the entire area within the corporate boundaries of the City except for four agricultural properties. The objectives of the plan included the stimulation of new residential development, the efficient construction of street, water, storm sewer and sanitary sewer improvements to support housing development and an increase in affordable housing units in the City. The area principally served by the plan is the Wilbur Subdivision.

On September 12, 2005, the City adopted Amendment No. 1 to the Carson Urban Renewal Area. The amendment determined an area of the City to be blighted and provided for its rehabilitation, conservation, redevelopment, and development as in the interest of the public health, safety or welfare of the residents of the City.

Lewis/Lariviere Urban Renewal Area

In June 2004, the City established the Lewis/Lariviere Urban Renewal Area and designated the area as an economic development district. In December 2004, the area was expanded to include a parcel of the commercial district by the adoption of Amendment No. 1. The objectives of the plan are commercial and residential development south of Highway 92.

Tibbles Urban Renewal Area

On April 11, 2005, the City established the Tibbles Urban Renewal Area and designated the Tibbles Subdivision as an economic development district to promote new residential development. The Tibbles subdivision is located west of the Nishnabotna River.

City of Carson
Notes to Financial Statements
June 30, 2016

NOTE (12) Commitments

Billing Services Agreement

On October 1, 2010, the City renewed an agreement with Physician's Claims Company, Inc. The Billing Service provides medical billings for the ambulance calls for a monthly fee of 10% of the net collections on the City's behalf during the preceding month. The initial term of the agreement was for three years and automatically will renew for successive one-year terms. Either party may terminate with 90 days notice.

Garbage Collection Service Agreement

On May 14, 2012, the City amended its agreement with M K Mills Tree Service, Inc. for the collection of garbage, rubbish, and recyclables. The contract runs to December 31, 2022. The contracted amount per residential unit for up to four 32-gallon containers per week is \$10.50 per month. The contracted amount for commercial, industrial, and institutional premises, per yard, per dump is \$5.00, and \$1.00 per unit per month for recyclables. The City paid \$57,537 on the contract during fiscal year 2016.

Law Enforcement Service Contract

The City renewed its Law Enforcement Services Contract with Pottawattamie County for the services of the Pottawattamie County Sheriff's Department as of July 1, 2016. The contract is payable in four installments of \$3,553 during fiscal year 2017.

NOTE (13) Franchise Agreement

On August 13, 2007, the City passed an ordinance granting to Mid-American Energy Company, its successors and assignees, the right and franchise to acquire, construct, erect, maintain, and operate a natural gas system in the City of Carson, and to furnish and sell natural gas to the City and its inhabitants for a period of twenty-five years. The City also passed an ordinance granting Mid-American Energy Company, its successors and assignees, the right and franchise to acquire, construct, erect, maintain, and operate a system for the transmission and distribution of electric energy and communications signals to the City and its inhabitants for a period of twenty-five years. The franchises will expire in 2032.

NOTE (14) Construction Commitments

At June 30, 2016, the city had water improvement project construction commitments of \$26,792. There were \$13,000 of retainages included in those commitments.

NOTE (15) New Accounting Pronouncement

City of Carson adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

Other Information

City of Carson
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Other Information
 Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 323,750	-	323,750	312,557	312,557	11,193
Tax increment financing	82,268	-	82,268	75,273	78,773	3,495
Other city tax	123,063	-	123,063	117,143	117,143	5,920
Licenses and permits	638	-	638	1,975	1,975	(1,337)
Use of money and property	10,788	-	10,788	-	5,760	5,028
Intergovernmental	116,437	-	116,437	150,178	150,398	(33,961)
Charges for service	30,781	395,204	425,985	432,510	448,892	(22,907)
Miscellaneous	43,140	5,269	48,409	5,927	7,990	40,419
Total receipts	<u>730,865</u>	<u>400,473</u>	<u>1,131,338</u>	<u>1,095,563</u>	<u>1,123,488</u>	<u>7,850</u>
Disbursements:						
Public safety	87,947	-	87,947	112,754	131,369	43,422
Public works	125,767	-	125,767	110,990	129,699	3,932
Culture and recreation	164,419	-	164,419	152,427	193,079	28,660
Community and economic development	21,340	-	21,340	2,500	22,500	1,160
General government	76,841	-	76,841	86,841	91,059	14,218
Debt service	242,945	-	242,945	259,786	266,414	23,469
Capital projects	137,949	-	137,949	-	183,150	45,201
Business type activities	-	359,615	359,615	404,761	439,807	80,192
Total disbursements	<u>857,208</u>	<u>359,615</u>	<u>1,216,823</u>	<u>1,130,059</u>	<u>1,457,077</u>	<u>240,254</u>
Excess (deficiency) of receipts over (under) disbursements	(126,343)	40,858	(85,485)	(34,496)	(333,589)	248,104
Other financing sources, net	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>173,500</u>	<u>26,500</u>
Change in cash balances	73,657	40,858	114,515	(34,496)	(160,089)	274,604
Balances beginning of year	<u>870,783</u>	<u>(2,937)</u>	<u>867,846</u>	<u>767,869</u>	<u>1,635,715</u>	<u>(767,869)</u>
Balances end of year	<u>\$ 944,440</u>	<u>37,921</u>	<u>982,361</u>	<u>733,373</u>	<u>1,475,626</u>	<u>(493,265)</u>

See accompanying independent auditors' report.

City of Carson
Notes to Other Information – Budgetary Reporting
June 30, 2016

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$327,018. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements did not exceed the amended amounts budgeted.

City of Carson
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
For the Last Two Years*
(In Thousands)
Other Information

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.002033%	0.002021%
City's proportionate share of the net pension liability	\$ 100	80
City's covered-employee payroll	\$ 181	185
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	55.25%	43.24%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditors' report

City of Carson
Schedule of City Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)
Other Information

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contribution	\$ 14	17	17	16	15	11	12	10	10	9
Contributions in relation to the statutorily required contribution	14	17	17	16	15	11	12	10	10	9
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 154	181	185	181	177	151	170	162	165	163
Contributions as a percentage of covered-employee payroll	8.94%	9.17%	9.18%	9.00%	8.40%	6.95%	7.17%	6.35%	6.05%	5.75%

See accompanying independent auditors' report

City of Carson
Notes to Other Information – Pension Liability
Year ended June 30, 2016

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Supplementary Information

City of Carson
Schedule of Cash Receipts, Disbursements and Changes in
Cash Balances – Nonmajor Governmental Funds
As of and for the year ended June 30, 2016

	<u>Special Revenue</u>			
	<u>Employee Benefits</u>	<u>Insurance</u>	<u>FEMA</u>	<u>Total</u>
Receipts				
Intergovernment	\$ -	-	1,238	1,238
Disbursements:				
Operating:				
General government	-	-	-	-
Change in cash balances	-	-	1,238	1,238
Cash balances beginning of year	50	438	16,730	17,218
Cash balances end of year	<u>\$ 50</u>	<u>438</u>	<u>17,968</u>	<u>18,456</u>
Cash Basis Fund Balances				
Restricted for other purposes	<u>\$ 50</u>	<u>438</u>	<u>17,968</u>	<u>18,456</u>

See accompanying independent auditors' report.

City of Carson
Schedule of Indebtedness
Year ended June 30, 2016

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds and notes:									
Street/storm sewer	Nov 15, 2006	4.50%	\$ 135,000	\$ 30,000	-	15,000	15,000	1,335	-
Essential corporate purpose	Nov 30, 2007	4.15%	495,000	70,000	-	70,000	-	2,905	-
Fire truck and backhoe	Jul 1, 2011	3.60-3.90%	181,000	109,000	-	27,000	82,000	4,255	-
Street improvement	Jul 25, 2011	1.60-3.00%	280,000	190,000	-	30,000	160,000	5,280	-
Sewer improvement	May 30, 2012	3.00-3.75%	62,000	39,500	-	13,000	26,500	1,283	-
Essential corporate purpose	Apr 25, 2013	0.85-2.00%	570,000	460,000	-	60,000	400,000	6,388	-
Essential corporate purpose	Sept 1, 2015	2.50%	200,000	-	200,000	-	200,000	3,750	-
				\$ 898,500	-	215,000	883,500	25,196	-
Urban renewal tax increment financing (TIF) revenue bonds:									
Tibbles/TIF Subdivision	Aug 1, 2005	4.20%	\$ 165,000	\$ 20,000	-	20,000	-	840	-
Revenue notes:									
Sewer	Sep 29, 2004	1.75%	\$ 750,000	\$ 431,000	-	38,000	393,000	7,543	-
Sewer	Oct 5, 2006	3.00%	250,000	156,000	-	12,000	144,000	4,680	-
Sewer	Jun 28, 2007	3.00%	59,000	40,000	-	3,000	37,000	1,200	-
Water	Nov 30, 2007	4.70-4.75%	100,000	30,000	-	15,000	15,000	1,417	-
				\$ 657,000	-	68,000	589,000	14,840	-

See accompanying independent auditors' report.

City of Carson
Bond and Note Maturities
June 30, 2016

General Obligation Bonds and Notes

Year Ending June 30,	Street/Storm Sewer		Fire Truck/Backhoe		Street Improvement		Sewer Improvement		Essential Corporate Purpose Issued Apr 25, 2013		Essential Corporate Purpose Issued Sept 1, 2015		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2017	4.50%	\$ 15,000	3.75%	28,000	3.00%	\$ 30,000	3.00%	\$ 13,500	0.85%	\$ 60,000	2.50%	\$ 20,000	\$ 166,500
2018	-	-	3.80%	29,000	3.00%	30,000	3.75%	13,000	1.25%	65,000	2.50%	20,000	157,000
2019	-	-	3.90%	25,000	3.00%	30,000	-	-	1.25%	70,000	2.50%	20,000	145,000
2020	-	-	-	-	3.00%	35,000	-	-	1.60%	70,000	2.50%	20,000	125,000
2021	-	-	-	-	3.00%	35,000	-	-	1.60-2.00%	45,000	2.50%	20,000	100,000
2022	-	-	-	-	-	-	-	-	2.00%	45,000	2.50%	25,000	70,000
2023	-	-	-	-	-	-	-	-	2.00%	45,000	2.50%	25,000	70,000
2024	-	-	-	-	-	-	-	-	-	-	2.50%	25,000	25,000
2025	-	-	-	-	-	-	-	-	-	-	2.50%	25,000	25,000
		<u>\$ 15,000</u>		<u>\$ 82,000</u>		<u>\$ 160,000</u>		<u>\$ 26,500</u>		<u>\$ 400,000</u>		<u>\$ 200,000</u>	<u>\$ 883,500</u>

Revenue Notes

Year Ending June 30,	Sewer		Sewer		Sewer		Water		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2017	1.75%	\$ 39,000	3.00%	\$ 13,000	3.00%	\$ 3,000	4.75%	\$ 15,000	\$ 70,000
2018	1.75%	40,000	3.00%	13,000	3.00%	3,000	-	-	56,000
2019	1.75%	41,000	3.00%	13,000	3.00%	3,000	-	-	57,000
2020	1.75%	42,000	3.00%	14,000	3.00%	3,000	-	-	59,000
2021	1.75%	43,000	3.00%	14,000	3.00%	3,000	-	-	60,000
2022	1.75%	45,000	3.00%	15,000	3.00%	3,000	-	-	63,000
2023	1.75%	46,000	3.00%	15,000	3.00%	3,000	-	-	64,000
2024	1.75%	48,000	3.00%	15,000	3.00%	4,000	-	-	67,000
2025	1.75%	49,000	3.00%	16,000	3.00%	4,000	-	-	69,000
2026	-	-	3.00%	16,000	3.00%	4,000	-	-	20,000
2027	-	-	-	-	3.00%	4,000	-	-	4,000
		<u>\$ 393,000</u>		<u>\$ 144,000</u>		<u>\$ 37,000</u>		<u>\$ 15,000</u>	<u>\$ 589,000</u>

See accompanying independent auditors' report.

City of Carson
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Ten Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Receipts:										
Property tax	\$ 323,750	282,586	282,214	263,403	214,604	210,116	145,189	200,807	146,409	149,263
Tax increment financing collections	82,268	213,810	71,981	133,462	262,909	268,517	442,782	137,874	256,035	214,341
Other city tax	123,063	129,020	102,992	99,272	97,839	92,151	80,103	88,806	69,871	77,705
Licenses and permits	638	1,374	1,514	1,376	1,453	776	1,651	1,471	2,848	1,987
Use of money and property	10,788	6,684	3,960	9,134	9,712	7,361	11,539	8,635	13,888	20,084
Intergovernmental	116,437	121,851	291,603	176,774	227,253	92,521	95,813	87,028	179,779	597,304
Charges for service	30,781	33,213	29,020	39,118	31,095	32,914	43,739	50,893	35,074	56,147
Special assessments	-	-	-	252	-	-	685	368	-	-
Miscellaneous	43,140	114,051	113,517	43,162	59,265	42,370	11,444	92,952	26,444	348,173
Total	\$ 730,865	902,589	896,801	765,953	904,130	746,726	832,945	668,634	730,348	1,465,004
Disbursements:										
Operating:										
Public safety	\$ 87,947	115,088	309,714	139,545	230,651	125,205	142,444	108,359	113,791	114,071
Public works	125,767	95,916	516,014	93,391	388,379	74,126	75,846	58,435	70,266	70,489
Culture and recreation	164,419	98,777	87,557	60,137	115,703	69,682	59,873	56,821	59,434	20,793
Community and economic development	21,340	29,065	132,970	44,834	102,488	204,974	53,636	132,414	79,866	205,412
General government	76,841	81,293	80,586	72,206	82,276	53,097	43,519	55,949	46,178	58,873
Debt service	242,945	230,474	251,641	195,308	157,194	102,441	287,139	283,035	627,966	74,340
Capital projects	137,949	-	350	6,137	203,874	44,481	7,087	28,533	461,501	2,230,688
Total	\$ 857,208	650,613	1,378,932	611,558	1,280,565	674,006	669,544	723,546	1,459,002	2,774,666

See accompanying independent auditors' report.

City of Carson



Diane McGrain, CPA
Jim Menard, CPA
Kelsey Peterson, CPA

September 15, 2016

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carson, Iowa, as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 15, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Carson's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Carson's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Carson's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

Continued...

omni business centre
42 n. 2nd street
council bluffs, iowa 51503
712•322•8734 / fax 712•322•4699
www.schroer-cpa.com

City of Carson
Independent Auditors' Report on
Internal Control and Compliance and Other Matters

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Carson's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as items I-A-16 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Carson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Carson's Responses to Findings

City of Carson's responses to findings identified in our audit are described in the accompanying Schedule of Findings. City of Carson's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Carson during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schwan & Associates, PC

City of Carson
Schedule of Findings
Year Ended June 30, 2016

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-16 Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, posting of the cash receipts to the cash receipts journal, reconciling and reporting, are at times all done by the same person.

One person has control over depositing, check writing and posting for the Park records.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The City Treasurer does a monthly review of the bank statements and bank reconciliations. In addition, we now accept payment for utility bills through credit card or bill pay options.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Carson
Schedule of Findings
Year Ended June 30, 2016

Part II: Other Findings Related to Required Statutory Reporting:

II-A-16 Certified Budget

Disbursements during the year ended June 30, 2016 did not exceed the amended amounts budgeted.

II-B-16 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-16 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-16 Business Transactions

No business transactions between the City and City officials, employees or relatives of City officials were noted.

II-E-16 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-16 Council Minutes

Comment – We noted that the transactions of the Park Board have been recorded by the City Clerk in the City's records. However, there is no evidence that claims paid by the Park Board have been approved by either the Park Board or the City Council.

Recommendation – All claims paid should be approved and documentation should be made in the minutes of the governing body approving the claims.

Response – We will discuss this with the Park Board.

Conclusion – Response accepted.

II-G-16 Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-16 Revenue Note

No instances of non-compliance with the revenue bond resolutions were noted.

City of Carson
Schedule of Findings
Year Ended June 30, 2016

Part II: Other Findings Related to Required Statutory Reporting - Continued:

II-I-16 Financial Condition

Comment – At June 30, 2016, the City had the following deficit fund balance:

Proprietary, Garbage Fund	\$ <u>6,965</u>
---------------------------	-----------------

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition. User fees for garbage should be adjusted to service operations. The City should control spending within corresponding revenue sources.

Response – We will monitor this fund closely.

Conclusion – Response accepted.

II-J-16 Annual Urban Renewal Report

The annual urban renewal report was approved and certified to the Iowa Department of Management before December 1 and no exceptions were noted.

II-K-16 Electronic Check Retention

Comment – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Park Board does not receive images of cancelled checks.

Recommendation – The Park Board should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Response – We will inform the Park Board.

Conclusion – Response acknowledged.

II-L-16 Inactive Capital Projects

Comment – The City had inactive capital projects for a wastewater plant project, Lewis TIF project and Tibbles TIF project.

Recommendation – Transfers should be made to the inactive capital project accounts to close out the balances.

Response – We will make transfers to close out inactive capital projects.

Conclusion – Response accepted.